United Poultry Concerns, Inc.

Audited Financial Statements

For the Year Ended December 31, 2014
<table>
<thead>
<tr>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Independent Auditor's Report</td>
<td>1-2</td>
</tr>
<tr>
<td>Statement of Financial Position</td>
<td>3</td>
</tr>
<tr>
<td>Statement of Activities</td>
<td>4</td>
</tr>
<tr>
<td>Statement of Cash Flows</td>
<td>5</td>
</tr>
<tr>
<td>Notes to Financial Statements</td>
<td>6</td>
</tr>
<tr>
<td>Supplemental Schedules</td>
<td></td>
</tr>
<tr>
<td>Statement of Functional Expenses</td>
<td>7</td>
</tr>
</tbody>
</table>
INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of United Poultry Concerns, Inc. (‘UPC’), which comprise the statement of financial position as of December 31, 2014, and the related statement of activities and changes in net assets, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to UPC’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of UPC’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.
Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Poultry Concerns, Inc. as of December 31, 2014, and the changes in its net assets, and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Bourne, Painter, & Bradley, P.C.

August 31, 2015
UNITED POULTRY CONCERNS
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2014

ASSETS

Current Assets
  Cash (Notes 4 and 7) $ 497,108
  Short-term investments (Notes 4 and 5) 830,471
  Contributions receivable (Note 4) 52,117
  Inventory (Note 4) 270
  Other assets 267
  Total Current Assets 1,380,233

  Property and Equipment (Notes 4 and 6) 211,207
  Less: Accumulated depreciation (Notes 4 and 6) (53,718)
  Total Property and Equipment 157,489

TOTAL ASSETS $ 1,537,722

LIABILITIES AND EQUITY

Current Liabilities
  Payroll tax liabilities $ 6,975
  Accrued liabilities 19,965
  Total Current Liabilities 26,940

Total Liabilities 26,940

Equity
  Unrestricted 1,502,282
  Temporarily restricted (Note 2) 8,500
  Total Equity 1,510,782

TOTAL LIABILITIES AND EQUITY $ 1,537,722

See independent auditor's report and notes to the financial statements.
# UNITED POULTRY CONCERNS

## STATEMENT OF ACTIVITIES

**YEAR ENDED DECEMBER 31, 2014**

### INCREASES IN NET ASSETS
- Donations (Notes 2 and 4)
  - Unrestricted $552,827
  - Restricted $20,000
  - Total $572,827
- Merchandise sales, net (Note 4)
  - Unrestricted $35,330
  - Restricted $35,330
- Cost of inventory sold (Note 4)
  - Unrestricted $(5,129)
  - Restricted $(5,129)
- Interest & Dividends, investment gains and losses (Notes 4 and 5)
  - Unrestricted $7,999
  - Restricted $7,999

**TOTAL INCREASES IN NET ASSETS**

<table>
<thead>
<tr>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>$591,027</td>
<td>$20,000</td>
<td>$611,027</td>
</tr>
</tbody>
</table>

### DECREASES IN NET ASSETS

- Program expenses (Note 2)
  - Unrestricted $380,744
  - Restricted $11,500
  - Total $392,244

**TOTAL DECREASES IN NET ASSETS**

<table>
<thead>
<tr>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>$445,214</td>
<td>$11,500</td>
<td>$456,714</td>
</tr>
</tbody>
</table>

- Change in Net Assets
  - Unrestricted $145,813
  - Restricted $8,500
  - Total $154,313

- Net Assets at the Beginning of the Year
  - Unrestricted $1,356,469
  - Restricted $-36,470
  - Total $1,356,469

**Net Assets at the End of the Year**

- Unrestricted $1,502,282
- Restricted $8,500
- Total $1,510,782

See independent auditor’s report and notes to financial statements.
UNITED POULTRY CONCERNS
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2014

Cash Flows From Operating Activities:
Increase in net assets $ 154,313
Adjustments to reconcile changes in net assets to net cash used in operating activities:
  Depreciation (Note 6) 3,674
  Net unrealized loss on investments (Note 5) 5,057
Changes in assets and liabilities:
  (Increase) in contributions receivable (41,161)
  Increase in payroll tax liabilities 2,650
  (Decrease) in accrued liabilities (20,598)
  (Increase) in other assets (537)
Net Cash Used in Operating Activities: 103,398

Cash Flows From Investing Activities:
  Purchase of fixed assets (Note 5) (35,237)
  Purchase of investments (Note 5) (13,276)
Net Cash Provided by Investing Activities (48,513)
Increase in Cash 54,885
Cash at the Beginning of the Year 442,223
Cash at the End of the Year (Note 4) $ 497,108
Interest paid during the year $ -
Income taxes paid during the year (Note 4) $ -

See independent auditor's report and notes to financial statements.
United Poultry Concerns, Inc.
Notes to Financial Statements
For the Year Ended December 31, 2014

INDEX

1. Organization                       F-1
2. Donations                          F-1
3. Expenditures                       F-1
4. Summary of Significant Accounting Policies   F-1
5. Investments                        F-4
6. Property and Equipment             F-5
7. Concentration of Credit Risk       F-5

See accompanying financial statements and Independent Auditor's report.
United Poultry Concerns, Inc.
Notes to Financial Statements
For the Year Ended December 31, 2014

1. Organization – United Poultry Concerns, Inc. (UPC) was incorporated in Maryland in 1990 as a non-profit corporation that addresses the treatment of domestic fowl in food production, science, education, entertainment, and human companionship situations.

UPC seeks to make the public aware of how poultry are treated by our society and elsewhere in the world. UPC assists the public to see how treatment of these birds affects health, education, occupational safety, and the environment. UPC informs people about and actively promotes alternatives. UPC does this through extensive investigation, its chicken sanctuary, public talks, writings, mailings, conferences, information displays, and film presentations using such sources as public interest groups, animal advocacy organizations, poultry trade publications, government agencies, and scientific journals and proceedings.

2. Donations – In 2014 UPC received nearly $573 thousand in donations, including $441 thousand from seven different donors. These donors included charitable trusts, estates, foundations, and gift funds. The remainder was received in federal grants, individual donors, foundations, gift funds, and charitable trusts.

Restricted Funds and Temporarily Restricted Funds – UPC had no restricted funds and $8,500 temporarily restricted funds in 2014. The temporary restriction originated from a $20,000 donation made in 2014 from a single individual who stipulated that the funds be utilized for sanctuary care of rescued chickens.

3. Expenditures – Of the total costs incurred for the year ended December 31, 2014, UPC incurred 85.9% for program services, 6.2% for administrative operations and 7.9% for fundraising.

4. Summary of Significant Accounting Policies:

  Basis of Presentation – The accompanying financial statements have been prepared using the accrual basis of accounting.

  Advertising – Advertising costs are expensed as incurred, as advertising campaigns generally are for periods of less than one year.

See accompanying financial statements and Independent Auditor’s report.
United Poultry Concerns, Inc.
Notes to Financial Statements
For the Year Ended December 31, 2014

4. Summary of Significant Accounting Policies (Continued):

Donated Materials and Services – Donated materials and equipment are reflected as contributions in the accompanying financial statements at their estimated value at the date of receipt. The value of indirect expenses of volunteer services could not be estimated. There were no materials or equipment donated in the year ended December 31, 2014.

Revenues – Revenues from unrestricted contributions are recognized when paid by the donor. Pledges made are not enforceable premises – therefore, they are not accrued unless the contribution was disbursed during the year or actually received in the subsequent period. UPC reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, i.e., when a stipulated time restriction ends or purpose for the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted donations. Revenue from contracts is recognized as the related qualifying expenses are incurred. Revenue is deferred when funds are received but not yet expended for the contractual purpose.

Cash Equivalents – For purposes of the statement of cash flows, cash equivalents include money market, time deposits, certificates of deposit, and all highly liquid instruments with original maturities of three months or less. Cash and cash equivalents do not include temporary cash held in custodial accounts or restricted investments.

Fair Value of Financial Instruments – The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which that value is practical to estimate:

- Cash and cash equivalents – For those short-term instruments, the carrying amount is a reasonable estimate of fair value.
- Investments – Carrying amounts and fair values for mutual fund securities are based on quoted market prices. Certificates of deposit are reported at estimated fair value based on the principal balances invested, since due to their relatively short maturities their interest rates approximate current market rates.

See accompanying financial statements and Independent Auditor’s report.

F-2
United Poultry Concerns, Inc.
Notes to Financial Statements
For the Year Ended December 31, 2014

4. Summary of Significant Accounting Policies (Continued):

Merchandise inventory – Inventories are stated at the lower of cost, determined by first-in, first-out basis, or market. They generally consist of books, educational materials for children, t-shirts, stickers, buttons, and other items. The balance on hand was $270 at December 31, 2014.

Property and Equipment – Property and equipment are stated at historical cost. The cost of maintenance and repairs is recorded as expense when incurred. Depreciation is computed using the straight-line method over the estimated useful life of the assets, which range from five to 39 years. UPC, Inc.’s policy is to capitalize all property and equipment acquisitions in excess of $500.

Income Taxes – United Poultry Concerns, Inc. is exempt from federal income tax on related income under Section 501(c)(3) of the Internal Revenue Code. The organization is classified as a public charity. UPC files a Form 990 annually, and taxable years 2011, 2012, 2013, and 2014 are all open tax years for purposes of Internal Revenue Service examinations.

Functional Allocation of Expenses – The costs of providing the programs and other activities have been summarized on a functional basis in the accompanying statement of activities. Accordingly, certain costs have been either directly charged to the programs and supporting services as incurred or allocated based on usage.

Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain report amounts and disclosures. Accordingly, actual results could differ from those estimates.

Subsequent events – The date through which subsequent events were evaluated for disclosure was August 31, 2015, the date the audited financial statements were available for release. There were no subsequent events deemed material by management that required disclosure.

See accompanying financial statements and Independent Auditor’s report.
5. Investments – As of December 31, 2014, the aggregate carrying amount of investments by major type is as follows:

<table>
<thead>
<tr>
<th>Investment Type</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Certificates of deposit</td>
<td>$246,838</td>
</tr>
<tr>
<td>Mutual funds</td>
<td>583,633</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$830,471</strong></td>
</tr>
</tbody>
</table>

Realized and unrealized gains and losses are included in the statement of activities as part of investment and other income. For the year ended December 31, 2014, net realized gains/losses were $0. Net unrealized gains and losses for the year ended December 31, 2014 were $7,999.

UPC reports fair value measurements of financial assets and liabilities using a hierarchy for observable independent market inputs and unobservable market assumptions. Accordingly, the estimates presented above do not necessarily indicate the values that could be realized in a current market exchange. The use of different market assumptions and estimation methodologies may have a material effect on the estimated fair value. The three levels of the hierarchy are described below:

Level 1 – Quoted prices in active markets for identical investments.

Level 2 – Other significant observable inputs (including quoted market prices for similar investments, interest rates, credit risk, etc.).

Level 3 – Significant unobservable inputs (including UPC’s own assumptions in determining the fair value of investments.

As of December 31, 2014, mutual funds owned by UPC are measured at fair value using Level 1 inputs, and the certificates of deposit are value using Level 2 inputs.

See accompanying financial statements and Independent Auditor’s report.
United Poultry Concerns, Inc.
Notes to Financial Statements
For the Year Ended December 31, 2014

6. Property and Equipment – Property and equipment at December 31, 2014 consists of the following:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Building and improvements</td>
<td>$163,430</td>
</tr>
<tr>
<td>Land</td>
<td>30,000</td>
</tr>
<tr>
<td>Machinery and equipment</td>
<td>17,777</td>
</tr>
<tr>
<td>Less: Accumulated depreciation</td>
<td>(53,718)</td>
</tr>
<tr>
<td>Total</td>
<td>$157,489</td>
</tr>
</tbody>
</table>

Depreciation expense for the year ended December 31, 2014 totaled $3,674.

7. Concentration of Credit Risk – UPC maintains bank accounts at two institutions that are insured by Federal Deposit Insurance Corporation (FDIC) up to $250,000. The balance of cash and certificates of deposit at one bank exceeded federally insured limits on deposits by $667 at December 31, 2014. UPC monitors risk, does not anticipate any credit losses and has not experienced any credit losses on these balances.

See accompanying financial statements and Independent Auditor's report.

F-5
Supplemental Schedules
**UNITED POULTRY CONCERNS, INC**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**DECEMBER 31, 2014**

**PROGRAM SERVICES EXPENSES (Note 3)**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advertising (Note 4)</td>
<td>$113,841</td>
</tr>
<tr>
<td>Payroll and payroll taxes</td>
<td>81,301</td>
</tr>
<tr>
<td>Printing and reproduction</td>
<td>59,497</td>
</tr>
<tr>
<td>Postage and delivery</td>
<td>31,857</td>
</tr>
<tr>
<td>Services</td>
<td>23,516</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>16,527</td>
</tr>
<tr>
<td>Contributions</td>
<td>12,275</td>
</tr>
<tr>
<td>Travel and entertainment</td>
<td>10,869</td>
</tr>
<tr>
<td>Professional fees</td>
<td>9,762</td>
</tr>
<tr>
<td>Utilities</td>
<td>9,745</td>
</tr>
<tr>
<td>Supplies</td>
<td>6,933</td>
</tr>
<tr>
<td>Conference and exhibitor</td>
<td>6,640</td>
</tr>
<tr>
<td>Depreciation expense</td>
<td>3,306</td>
</tr>
<tr>
<td>Insurance</td>
<td>3,132</td>
</tr>
<tr>
<td>Telephone</td>
<td>1,919</td>
</tr>
<tr>
<td>Taxes</td>
<td>1,094</td>
</tr>
<tr>
<td>Veterinarian fees</td>
<td>30</td>
</tr>
<tr>
<td><strong>TOTAL PROGRAM SERVICES EXPENSES</strong></td>
<td><strong>392,244</strong></td>
</tr>
</tbody>
</table>

**MANAGEMENT AND GENERAL EXPENSES (Note 3)**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payroll and payroll taxes</td>
<td>10,058</td>
</tr>
<tr>
<td>Professional fees</td>
<td>7,548</td>
</tr>
<tr>
<td>Postage and delivery</td>
<td>3,982</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>4,772</td>
</tr>
<tr>
<td>Office expenses</td>
<td>2,030</td>
</tr>
<tr>
<td>Bank service charges</td>
<td>-</td>
</tr>
<tr>
<td><strong>TOTAL MANAGEMENT AND GENERAL EXPENSES</strong></td>
<td><strong>28,390</strong></td>
</tr>
</tbody>
</table>

**FUNDRAISING EXPENSES (Note 3)**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advertising (Note 4)</td>
<td>12,649</td>
</tr>
<tr>
<td>Printing and reproduction</td>
<td>10,499</td>
</tr>
<tr>
<td>Postage and delivery</td>
<td>3,982</td>
</tr>
<tr>
<td>Payroll and payroll taxes</td>
<td>4,808</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>3,402</td>
</tr>
<tr>
<td>Conference and exhibitor</td>
<td>740</td>
</tr>
<tr>
<td><strong>TOTAL FUNDRAISING EXPENSES</strong></td>
<td><strong>36,080</strong></td>
</tr>
</tbody>
</table>

**TOTAL EXPENSES**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>$ 456,714</strong></td>
</tr>
</tbody>
</table>

See independent auditor's report and notes to financial statements